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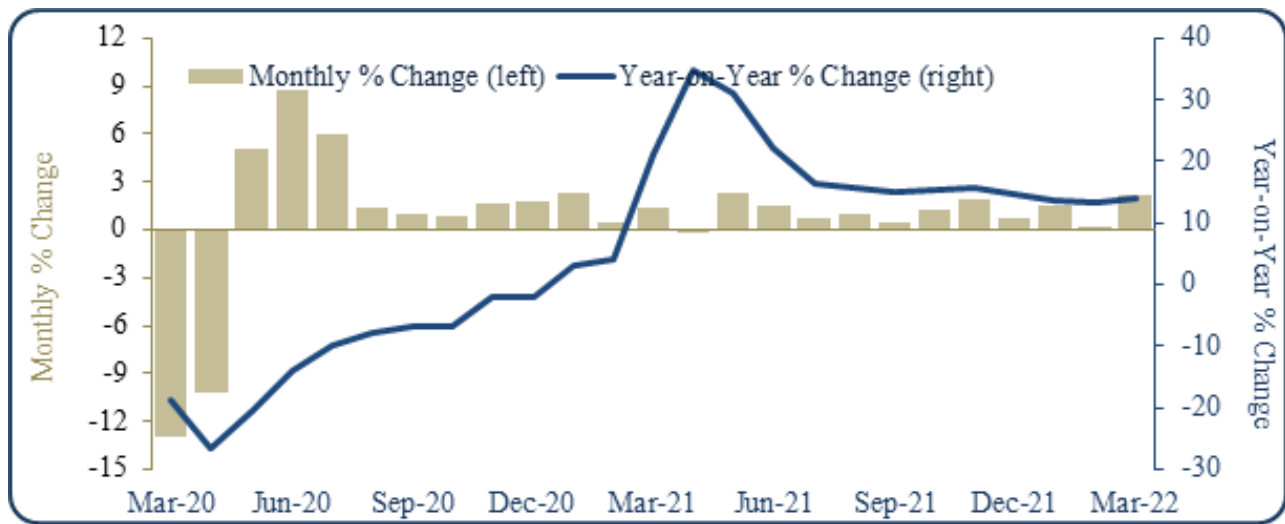
03.May.2022

Factory Orders: Continued Growth Amid Volatility

Bottom Line: The March Factory Orders report confirmed continued strong growth in activity amid continued volatility due to supply chain disruptions. After positive revisions to February data, orders were up in 22 of the previous 23 months.

Transportation equipment remained a critical growth driver, as the petrochemical industry also saw continued gains. While most signs point to continued moderate to robust gains, there were still signs of volatility due to supply chain constraints as growth in finished goods rose less than those of production-related materials and work in progress. **Overall, manufacturing remains strong, and nondefense capital goods shipments, an essential proxy for GDP investment, suggest scope for modest upward revisions to 1st Quarter GDP readings.**





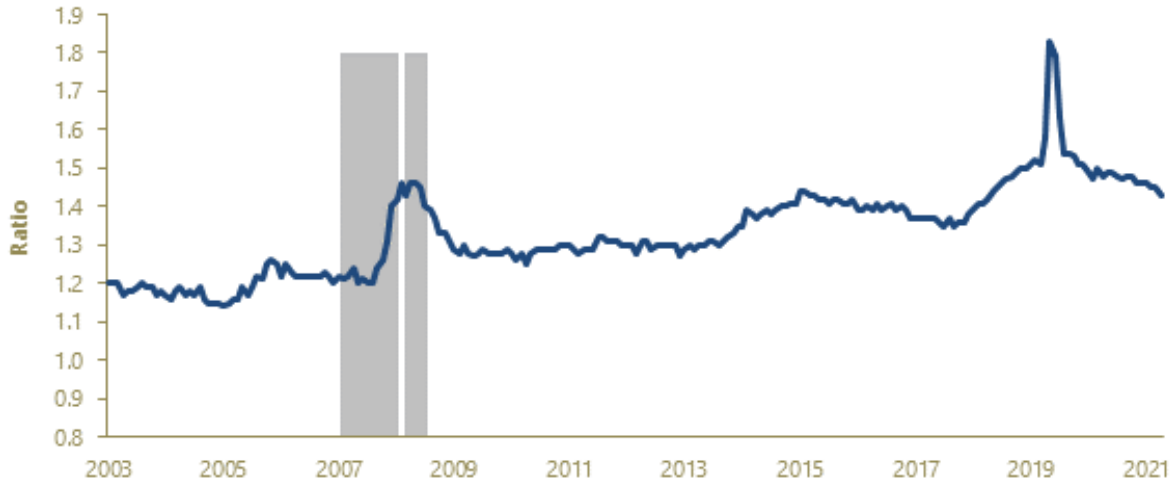
Factory Orders ROSE by 2.2% in March, compared with market expectations for a decline of 0.6%. The prior month's loss was revised to a positive from -0.5% to 0.1%.

Durable goods orders climbed by 1.1%, as previously reported, while nondurable goods orders jumped by 3.2%. Excluding orders for defense goods, civilian aircraft and petroleum products, (so called) **core factory orders** ROSE by 1.4%. Factory orders are now 14.2% ABOVE their year-ago level but the year-over-year growth rate has declined moderately over the past year (from 21.2% a year ago to the current 14.2%).

The Q1 average for nondefense capital goods shipments is moderately above its Q4 level, compared with a slight increase in equipment spending that was reported in the advance Q1 GDP report.



Inventory/Shipment Ratio



	Percent Change											
	Monthly % Change				Annual Rate of Change (%)							
	Mar-22	Feb-22	Jan-22	Dec-21	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year	
Factory New Orders	2.2	0.1	1.5	0.7	16.3	16.2	14.2	-2.0	-0.7	1.3	0.9	
<i>previous estimate</i>		-0.5	1.5	0.7								
ex-Transportation	2.5	1.0	1.2	0.5	20.5	15.9	14.3	1.6	-1.2	2.0	0.5	
ex-Defense	2.4	0.0	1.4	1.4	16.0	18.5	14.8	-0.2	-2.6	1.3	0.9	
Durable Goods	1.1	-1.7	1.5	1.2	3.7	11.3	10.5	-1.2	-0.8	1.5	2.1	
Nondurable Goods	3.2	2.1	1.5	0.1	30.6	21.2	18.0	-2.9	-0.5	1.1	-0.2	
Capital Goods New Orders	-0.9	-4.2	4.9	-1.0	-1.7	4.1	13.3	-10.4	3.6	2.2	1.2	
Nondefense	-0.2	-6.0	3.5	4.0	-11.2	13.5	16.7	-2.9	-5.0	2.4	1.7	
ex-aircraft	1.3	-0.2	1.2	0.4	9.4	7.6	10.6	10.1	0.2	3.4	1.5	
Defense	-5.6	11.9	18.6	-34.0	146.6	-41.9	-8.1	-43.8	75.3	0.5	-1.7	
Inventories	1.3	0.9	0.8	0.4	12.7	10.8	10.6	-0.5	5.3	2.1	2.5	
Durable Goods	0.8	0.6	0.5	0.8	8.0	8.9	10.0	0.5	5.9	2.0	3.0	
Nondurable Goods	2.2	1.3	1.2	-0.2	20.6	13.8	11.5	-2.0	4.3	2.4	1.8	
Inventory-to-Shipments Ratio	1.43	1.45	1.45	1.46	1.45	1.46	1.47	1.49	1.51	1.43	1.37	
Shipments	2.3	1.1	1.4	0.7	20.8	17.5	14.5	0.5	-2.9	1.4	0.9	
Nondefense Capital Good	0.1	0.0	2.4	1.6	10.1	8.7	11.3	2.5	-5.8	1.4	1.6	
ex-aircraft	0.4	0.3	2.2	1.7	12.3	11.1	11.2	7.4	-1.3	2.1	1.7	

Source: Bureau of the Census, Department of Commerce via Bloomberg. Our calculations.

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May 3, 2022

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